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RUEHKP/AMCONSUL KARACHI PRIORITY 2632
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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000002

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SUBJECT: OPPOSITION PRESIDENTIAL CANDIDATE HAS LITTLE
ECONOMIC AGENDA; FOCUSES ON CORRUPTION

REF: COLOMBO 1145

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Classified By: A/DCM Rebecca Cohn for Reasons 1.4 (B.D)

¶1. (C) Summary. The opposition presidential candidate General Fonseka is a military man who has publicly admitted that he has little knowledge of economic issues, and other than clamping down on corruption, he has no apparent economic program. General Fonseka has announced some populist measures to increase government employee salaries and increase public pensions. It will be extremely difficult for him to advance a coherent economic policy because the opposition parties supporting him have diametrically opposed economic views. Instead, Fonseka plans to focus on corruption, where President Rajapaksa is weak, and blaming corruption and government waste for the voters, tough economic times. While the economy is a high-priority for many voters, both campaigns have focused on personalities and and past performance rather than on a solid economic and political platform for the future. End Summary.

The Candidate Has Little Economic Experience

¶2. (C) General Fonseka is a military man who has little experience with economics or even any readily apparent views on economic issues. Fonseka has admitted publicly that he does not have any economic experience, and he has made few public statements about the economy. He has promised to increase the monthly salary of public servants by 10,000 rupees or approximately \$ 90 USD per month (there are 1.2 million government employees). Fonseka also supports providing 2,000 rupee monthly pensions to senior citizens (about \$18 USD). Econoff met with opposition campaign strategist and economist Harsha de Silva, who said that Fonseka plans to promise benefits to each economic segment of the population in order to gain votes. Fonseka himself, however, prefers not to discuss future economic plans. Parliament opposition leader and potential future prime minister under a President Fonseka, Ranil Wickramasinghe, and his wife had a private lunch with the DCM and Poloff. At the lunch, his wife reminded Wickramasinghe that he and Fonseka should say something about the economy, but he demurred because the political parties backing Fonseka's candidacy (primarily the liberal UNP and the leftist JVP) had completely different economic policies.

Irreconcilable Differences Between the Opposition Parties

¶3. (C) General Fonseka is a common candidate supported by the free market UNP and the far left JVP. The UNP has supported privatization of state industries, an open economy and an increased role for the private sector. The JVP is at the opposite end of the economic spectrum, has opposed privatization and UNP reforms in the past, supports a large role of the state, opposes foreign investment, and advocates for government welfare to protect society. De Silva, who is a prominent opposition economist, said that he was in charge of writing Fonseka's economic manifesto for his possible administration, but it was an impossible task because the UNP and JVP are diametrically opposed. Instead of a positive economic agenda, De Silva recommended attacking President Rajapaksa for corruption and government waste.

Campaign Strategy Focuses on Corruption and Government Waste

¶4. (C) De Silva conducted a poll on behalf of the opposition which found that the Sri Lankan people were very upset about the cost of living, their declining ability to support their families, and corruption and government waste. The poll also found that there was a split between support for the GSL's nationalist state-led policies and the UNP's international trade private sector-led economic policies. The government UPFA coalition and the UNP are seen as equally capable of improving their personal economic situation.

¶5. (C) De Silva recommended that Fonseka criticize President Rajapaksa on government waste and corruption issues and blame corruption for the high cost of living and the difficult economic situation faced by many Sri Lankans. The corruption issue is a good one because while Fonseka is seen

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as clean, even the President's private polling shows 80% of the people think that President Rajapaksa and his family are corrupt (see reftel). De Silva plans to use a study, produced by a prominent economist, that corruption costs Sri Lanka 2% in annual GDP growth. The opposition will try to tie President Rajapaksa's alleged corruption to the rising cost of living and falling income for many Sri Lankans.

¶6. (C) De Silva candidly admitted to econoff that the attack on corruption is primarily a campaign strategy. De Silva said that 'as an economist' he understood that the government of Sri Lanka needed to institute many economic reforms, but for campaign purposes the opposition needed to back away from the 'neo liberal' reforms attached to the UNP. After the election, De Silva hoped that the UNP would take command of economic policy and apply a toned-down version of its traditional policies.

¶7. (C) Comment. The UNP party is playing a dangerous game supporting General Fonseka, because the Sri Lankan Presidency is very powerful, and it is unclear what economic policies Fonseka would support as President. The opposition focus on corruption indicates that it believes that neo-liberal reforms, such as privatization, are too toxic to publicly advocate. Sri Lanka's economy could indeed benefit from both a good crusade against corruption and liberal reforms. End Comment.
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